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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA**

AJAY MALHOTRA, Individually and on  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

SONIM TECHNOLOGIES, INC., ROBERT  
PLASCHKE, JAMES WALKER, MAURICE  
HOCHSCHILD, ALAN HOWE, KENNY  
YOUNG, SUSAN G. SWENSON, JOHN  
KNEUER, JEFFREY D. JOHNSON,  
OPPENHEIMER & CO., INC., LAKE  
STREET CAPITAL MARKETS, LLC, and  
NATIONAL SECURITIES CORPORATION,

Defendants.

Case No.

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

1 Plaintiff Ajay Malhotra (“Plaintiff”), individually and on behalf of all others similarly  
2 situated, by and through his attorneys, alleges the following upon information and belief, except as  
3 to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s  
4 information and belief is based upon, among other things, his counsel’s investigation, which  
5 includes without limitation: (a) review and analysis of regulatory filings made by Sonim  
6 Technologies, Inc. (“Sonim” or the “Company”) with the United States (“U.S.”) Securities and  
7 Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports  
8 issued by and disseminated by Sonim; and (c) review of other publicly available information  
9 concerning Sonim.

#### 10 **NATURE OF THE ACTION AND OVERVIEW**

11 1. This is a class action on behalf of persons and entities that purchased or otherwise  
12 acquired Sonim common stock pursuant and/or traceable to the registration statement and  
13 prospectus (collectively, the “Registration Statement”) issued in connection with the Company’s  
14 May 2019 initial public offering (“IPO” or the “Offering”). Plaintiff pursues claims against the  
15 Defendants under the Securities Act of 1933 (the “Securities Act”).

16 2. Sonim provides ultra-rugged mobile phones and accessories for task workers who  
17 are physically engaged in their work environments. The Company’s phones and accessories  
18 connect workers with voice, data and workflow applications in two end markets: industrial  
19 enterprise and public sector.

20 3. On May 13, 2019, the Company filed its prospectus on Form 424B4 with the SEC,  
21 which forms part of the Registration Statement. In the IPO, the Company sold approximately 4.07  
22 million shares of common stock at a price of \$11.00 per share. The Company received proceeds  
23 of approximately \$37.5 million from the Offering, net of underwriting discounts and commissions.  
24 The proceeds from the IPO were purportedly to be used for general corporate purposes, including  
25 working capital, expanded sales and marketing activities, increased research and development  
26 expenditures and funding the Company’s growth strategies.

27 4. On September 10, 2019, Sonim stated that it expected fiscal 2019 net revenues to  
28 be flat or slightly below 2018 net revenues of \$135.7 million, citing “significant delays” in the

1 launch of new products as well as software issues related to these new introductions. Moreover,  
2 the Company disclosed that James Walker “will cease serving as the Company’s Chief Financial  
3 Officer.”

4 5. On this news, the Company’s share price fell \$3.30, or nearly 47%, to close at  
5 \$3.76 per share on September 10, 2019, on unusually heavy trading volume.

6 6. By the commencement of this action, Sonim stock was trading as low as \$3.39 per  
7 share, a nearly 70% decline from the \$11 per share IPO price.

8 7. The Registration Statement was false and misleading and omitted to state material  
9 adverse facts. Specifically, Defendants failed to disclose to investors: (1) that the Company’s XP8  
10 was experiencing material software challenges; (2) that these software issues adversely affected  
11 how the device’s Qualcomm chipset, which supported Band 14 access, connected to AT&T’s  
12 carrier network configuration; (3) that the Company’s XP5 and XP3 devices were experiencing  
13 material software defects that adversely affected their optimization with certain accessories; (4)  
14 that, as a result, the Company was reasonably likely to delay the launch of new products; (5) that,  
15 as a result of the foregoing, the Company’s financial results would be materially and adversely  
16 impacted; and (6) that, as a result of the foregoing, Defendants’ positive statements about the  
17 Company’s business, operations, and prospects, were materially misleading and/or lacked a  
18 reasonable basis.

19 8. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline  
20 in the market value of the Company’s securities, Plaintiff and other Class members have suffered  
21 significant losses and damages.

## 22 **JURISDICTION AND VENUE**

23 9. The claims asserted herein arise under and pursuant to Sections 11 and 15 of the  
24 Securities Act (15 U.S.C. §§ 77k and 77o).

25 10. This Court has jurisdiction over the subject matter of this action pursuant to 28  
26 U.S.C. § 1331 and Section 22 of the Securities Act (15 U.S.C. § 77v).

27 11. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b).  
28





1 pendency of this action by mail, using the form of notice similar to that customarily used in  
2 securities class actions.

3 30. Plaintiff's claims are typical of the claims of the members of the Class as all  
4 members of the Class are similarly affected by Defendants' wrongful conduct in violation of  
5 federal law that is complained of herein.

6 31. Plaintiff will fairly and adequately protect the interests of the members of the Class  
7 and has retained counsel competent and experienced in class and securities litigation.

8 32. Common questions of law and fact exist as to all members of the Class and  
9 predominate over any questions solely affecting individual members of the Class. Among the  
10 questions of law and fact common to the Class are:

11 (a) whether the federal securities laws were violated by Defendants' acts as alleged  
12 herein;

13 (b) whether statements made by Defendants to the investing public during the Class  
14 Period omitted and/or misrepresented material facts about the business, operations, and prospects  
15 of Sonim; and

16 (c) to what extent the members of the Class have sustained damages and the proper  
17 measure of damages.

18 33. A class action is superior to all other available methods for the fair and efficient  
19 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the  
20 damages suffered by individual Class members may be relatively small, the expense and burden of  
21 individual litigation makes it impossible for members of the Class to individually redress the  
22 wrongs done to them. There will be no difficulty in the management of this action as a class  
23 action.

## 24 **SUBSTANTIVE ALLEGATIONS**

### 25 **Background**

26 34. Sonim provides ultra-rugged mobile phones and accessories for task workers who  
27 are physically engaged in their work environments. The Company's phones and accessories  
28

1 connect workers with voice, data and workflow applications in two end markets: industrial  
2 enterprise and public sector.

3 **The Company's False and/or Misleading**  
4 **Registration Statement and Prospectus**

5 35. On May 9, 2019, the Company filed its final amendment to the Registration  
6 Statement with the SEC on Form S-1/A, which forms part of the Registration Statement. The  
7 Registration Statement was declared effective the same day.

8 36. On May 13, 2019, the Company filed its prospectus on Form 424B4 with the SEC,  
9 which forms part of the Registration Statement. In the IPO, the Company sold approximately 4.07  
10 million shares of common stock at a price of \$11.00 per share. The Company received proceeds  
11 of approximately \$37.5 million from the Offering, net of underwriting discounts and commissions.  
12 The proceeds from the IPO were purportedly to be used for general corporate purposes, including  
13 working capital, expanded sales and marketing activities, increased research and development  
14 expenditures and funding the Company's growth strategies.

15 37. The Registration Statement was negligently prepared and, as a result, contained  
16 untrue statements of material facts or omitted to state other facts necessary to make the statements  
17 made not misleading, and was not prepared in accordance with the rules and regulations governing  
18 its preparation.

19 38. Under applicable SEC rules and regulations, the Registration Statement was  
20 required to disclose known trends, events or uncertainties that were having, and were reasonably  
21 likely to have, an impact on the Company's continuing operations.

22 39. According to the Registration Statement, the Company's revenue growth relied on  
23 the launch of its XP5 and XP8 phones in March 2018, stating:

24 *Total revenues.* Total revenues increased by \$76.7 million, or 129.8%, from \$59.0  
25 million for the year ended December 31, 2017 to \$135.7 million for the year ended  
26 December 31, 2018. The increase in revenues can be attributed to (i) the  
27 introduction of two new phone products in the first quarter of 2018, the XP8  
smartphone and the XP5s feature phone, comprising \$98.3 million of revenues for  
the year ended December 31, 2018, and (ii) the acceptance of those two products  
as stocked phones at several of the major Wireless carriers in both the United States

and Canada, including AT&T, comprising \$95.9 million of revenues for the year  
ended December 31, 2018. Total revenues from mobile phone sales to AT&T and

1 Group O, a provider for AT&T, were \$14.5 million and \$54.4 million for the years  
2 ended December 31, 2017 and December 31, 2018, respectively. While we do not  
3 have access to specific end customer data from our wireless carriers, we believe  
4 that the 275% year-over-year growth in revenues derived from sales of mobile  
phones to AT&T was primarily attributable to the launch of our XP5s feature  
phone and XP8 smartphone as stocked products at AT&T as well as AT&T'S  
recent sales activities in the public sector with FirstNet.

5 40. The XP5 and XP8 models were "certified to work on multiple mobile network  
6 operators and come equipped with LTE Band 14 to support FirstNet," according to the  
7 Registration Statement.

8 41. Under "Risks Related to Our Business," as to product defects, the Registration  
9 Statement stated:

10 ***Defects in our products could reduce demand for our products and result in a***  
11 ***loss of sales, delay in market acceptance and injury to our reputation, which***  
***would adversely impact our business.***

12 Complex software, components and assemblies used in our products may contain  
13 undetected defects that are subsequently discovered at any point in the life of the  
14 product. For example, in 2018, we recalled one batch of our XP8 devices from two  
wireless carriers due to manufacturing defects. Defects in our products may result  
15 in a loss of sales, delay in market acceptance and injury to our reputation and  
increased warranty costs.

16 Additionally, our software may contain undetected errors, defects or bugs.  
17 Although we have not suffered significant harm from any errors, defects or bugs to  
18 date, we may discover significant errors, defects, or bugs in the future that we may  
19 not be able to correct or correct in a timely manner. It is possible that errors, defects  
or bugs will be found in our existing or future software products and related  
20 services with the potential for delays in, or loss of market acceptance of, our  
products and services, diversion of our resources, injury to our reputation,  
21 increased service and warranty expenses, and payment of damages.

22 Further, errors, defects or bugs in our solutions could be exploited by hackers or  
23 could otherwise result in an actual or perceived breach of our information systems.  
Alleviating any of these problems could require significant expense and could  
24 cause interruptions, delays or cessation of our product licensing, which would  
25 reduce demand for our products and result in a loss of sales, delay in market  
acceptance and injure our reputation and could adversely impact our business,  
26 results of operations and financial condition.

27 42. The Registration Statement claimed that certain risks impacted the Company's  
28 launch of the XP5 and XP8 phones in March 2018 in the public safety market:

[I]n March 2018, we launched our XP5s and XP8 phones in the public safety  
market and also have limited operating history in the industrial enterprise market.  
Because of this limited operating history, we face challenges in predicting our  
business and evaluating its prospects. These challenges present risks and  
uncertainties relating to our ability to implement our business plan successfully.



Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by newly-public companies that have recently launched a new product into a new market. If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations and financial condition will be significantly harmed.

43. The Registration Statement was materially false and misleading and omitted to state: (1) that the Company's XP8 was experiencing material software challenges; (2) that these software issues adversely affected how the device's Qualcomm chipset, which supported Band 14 access, connected to AT&T's carrier network configuration; (3) that the Company's XP5 and XP3 devices were experiencing material software defects that adversely affected their optimization with certain accessories; (4) that, as a result, the Company was reasonably likely to delay the launch of new products; (5) that, as a result of the foregoing, the Company's financial results would be materially and adversely impacted; and (6) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects, were materially misleading and/or lacked a reasonable basis.

#### **The Subsequent Disclosures**

44. On September 10, 2019, Sonim stated that it expected fiscal 2019 net revenues to be flat or slightly below 2018 net revenues of \$135.7 million, citing "significant delays" in the launch of new products as well as software issues related to these new introductions. In a press release, the Company stated, in relevant part:

#### **Fiscal 2019 Financial Outlook**

Based on current expectations, Sonim management has updated its financial guidance for the fiscal year ending December 31, 2019:

- Net revenues are expected to be flat or slightly below 2018 net revenues of \$135.7 million reported in fiscal 2018;
- GAAP net loss, defined as net revenues less cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes and other expenses, is expected to be up to \$15 million;
- Adjusted EBITDA, a non-GAAP metric, is expected to be a loss of up to \$5 million.

\* \* \*

[T]he company has experienced technical challenges related to its XP8 smartphone and other general non-systemic, accessory-related issues in its feature phones,

1 which cumulatively resulted in lost sales momentum. These challenges have  
 2 diverted resources away from launching smaller Tier 2 carrier customers and, as  
 3 such, delayed the launch of Sonim devices to their customer base. The company  
 believes that these issues are being remediated, and Sonim expects the bulk of the  
 Tier 2 carriers to launch Sonim products in the latter part of 2019.

4 45. Moreover, the Company disclosed that James Walker “will cease serving as the  
 5 Company’s Chief Financial Officer.” In a Form 8-K filed with the SEC on September 10, 2019,  
 6 the Company stated:

7 On September 9, 2019, the Company and Mr. James Walker determined that  
 8 Mr. Walker will cease serving as the Company’s Chief Financial Officer, effective  
 immediately, and that Mr. Walker will be leaving the Company following a brief  
 9 period to ensure a smooth transition of his duties to the Company’s newly  
 appointed interim Chief Financial Officer.

10 46. The same day, during a conference call with investors, defendant Plaschke stated:

11 [W]e did experience some software challenges related to our XP8 smartphone and  
 12 some other general non-systemic accessory-related issues With our feature phones.

13 As a result, we’d experienced lost sales momentum in the second and third quarter.  
 14 These challenges have diverted resources away from launching smaller tier 2  
 carrier customers and as such, delayed the launch of Sonim devices to their  
 customer bases.

15 47. Defendant Plaschke further disclosed material software issues concerning Sonim  
 16 products, stating:

17 Sure. On the XP8, we picked a chipset that explicitly because it supported band  
 18 class 14. It was the first chipset available What’s called a kind of mid-tier that  
 Qualcomm provides that support band class 14, and so we in conjunction working  
 19 with AT&T, to get the products out. We picked the first available — the chipset  
 that was most — earliest available to get band class 14 up and running.

20 This chipset that Qualcomm when it releases chipsets, they don’t really yet —  
 21 don’t really have a -- and again I don’t want to speak for Qualcomm, but the -- you  
 take a gamble on Whether you’re going to be the first chipset in a particular region  
 22 of the world. It turns out that the chipset that we launched, we were the first to  
 launch it in -- at least from our -- from what we understand, the first t0 launch at  
 North America.

23 And when you do that, you unintentionally take — you unintentionally become the  
 24 kind of the beta customer for that chipset and then you face a number of what I’d  
 called network-related issues in terms of how the chipset works with the network  
 25 configurations in the carriers in that particular region and they differ region to  
 region. So we -- that has -- that has been a unexpected kind of drag coefficient for  
 26 us. A number of corner cases emerged in terms of what would -- how the phone  
 operate in different parts of the country based off the different network  
 27 configurations. And we have finally I think gotten over the hump in terms of  
 getting that -- those fixes made. Those are software changes happily, so that they  
 28

1 can be communicated over the air but it's taken us a number of maintenance  
2 releases and a number of -- a lot of work with Qualcomm to kind of get there.

3 It's not a -- so it's -- you wouldn't -- I don't know if you'd called it quality issue,  
4 just call it basically a new product introduction issue that we happen to be first.  
5 Typically, we try to, to your point or your question, we try not to be the first OEM  
6 to release a chipset in a particular region. But because of the importance of getting  
7 band class 14 out, we unintentionally took that risk, so that's the XP8.

8 On the XP5s and the XP3, the phones are used in a number of scenarios that are not  
9 necessarily easy to test. These are used in mission critical or what we called  
10 business critical scenarios where they are -- they are put in combination with other  
11 accessories and put in unusual situations.

12 So, I'll give you an example. You have a school bus company who has a certain  
13 wiring configuration to the little, the kind of a holder Where you put the phone in,  
14 and that wiring configuration as it turns out if it's not -- if it's not, I don't know  
15 what the right word is, if it's not optimized can created feedback that can affect the  
16 noise cancellation software on the phone.

17 These are as you might expect not easy things to debug before you launch and  
18 frankly we just -- we kind of have to take on the chin to get these problems fixed.  
19 The silver lining is that and there's multiple examples in this context of these what  
20 I would call very industrialized use cases, the silver lining is that once we figured  
21 this stuff out, we become the de facto answer for carriers to solve these tough  
22 industrial use cases where they're not going to put a normal consumer cell phone  
23 into that scenario.

24 48. On this news, the Company's share price fell \$3.30, or nearly 47%, to close at  
25 \$3.76 per share on September 10, 2019, on unusually heavy trading volume.

26 49. By the commencement of this action, Sonim stock was trading as low as \$3.39 per  
27 share, a nearly 70% decline from the \$11 per share IPO price.

### 28 **FIRST CLAIM**

#### **Violation of Section 11 of the Securities Act (Against All Defendants)**

50. Plaintiff repeats and re-alleges each and every allegation contained above as if fully  
set forth herein, except any allegation of fraud, recklessness or intentional misconduct.

51. This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. §  
77k, on behalf of the Class, against the Defendants.

52. The Registration Statement for the IPO was inaccurate and misleading, contained  
untrue statements of material facts, omitted to state other facts necessary to make the statements  
made not misleading, and omitted to state material facts required to be stated therein.



**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

DATED: October 7, 2019

**GLANCY PRONGAY & MURRAY LLP**

By: s/ Lesley F. Portnoy

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*Attorneys for Ajay Malhotra*

**SWORN CERTIFICATION OF PLAINTIFF**

**SONIM TECHNOLOGIES, INC. SECURITIES LITIGATION**

I, Ajay Malhotra, certify that:

1. I have reviewed the Complaint and authorize its filing and/or the filing of a Lead Plaintiff motion on my behalf.
2. I did not purchase the Sonim Technologies, Inc. securities that are the subject of this action at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in Sonim Technologies, Inc. securities during the Class Period set forth in the Complaint are as follows:

(See attached transactions)

5. I have not sought to serve, nor served, as a representative party on behalf of a class under this title during the last three years.
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

10/7/2019

Date

DocuSigned by:  
*Ajay Malhotra*  
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Ajay Malhotra

**Ajay Malhotra's Transactions in Sonim Technologies, Inc. (SONM)**

<b>Date</b>	<b>Transaction Type</b>	<b>Quantity</b>	<b>Unit Price</b>
6/28/2019	Bought	82	\$12.8000